

Memorandum

Date: April 9, 2013
Telephone: (916) 651-8853
File: 08-AFC-8A

To: Commissioner Karen Douglas, Presiding Member
Commissioner Andrew McAllister, Associate Member
Hearing Officer Raoul Renaud

From: California Energy Commission - Robert Worl, *J.H. for Bw*
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Project Manager

California Energy Commission

DOCKETED
08-AFC-8A

TN # 70254

APR. 09 2013

Subject: **HYDROGEN ENERGY CALIFORNIA, AMENDED (08-AFC-8A)**
STAFF STATUS REPORT NUMBER 6

Pursuant to the Revised Committee Schedule dated March 27, 2013, requesting all parties to file Status Reports by April 9, 2013, staff hereby files Status Report number 6 for the Hydrogen Energy California, Amended AFC (HECA). Energy Commission staff and the U.S. Department of Energy (DOE) are jointly conducting the review of the proposed HECA project and intend to issue joint documents. Staff is evaluating the project subject to both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). This status report focuses on those items that impact the ability of staff to complete its work on the Preliminary Staff Assessment/Draft Environmental Impact Statement (PSA/DEIS), and publish by the April 30, 2013 date set in the Revised Committee Schedule, noted above.

As indicated in Status Report Number 5, it is critical for DOE's purposes that this Preliminary Staff Assessment and Draft Environmental Impact Statement be as complete and comprehensive as possible. Staff continues to work to meet these standards, and anticipates meeting the Revised HECA Committee schedule of April 30, 2013 for the PSA/DEIS joint document.

Staff details below the activities and progress made to date since the last status report regarding necessary activities needed to insure that staff is able to prepare a complete PSA/DEIS.

Procedural Activities and Coordination Efforts:

During the San Joaquin Valley Air Pollution Control District April 2, 2013 public workshop, the applicant indicated that limestone **fluxant** will be required as an additive to the coal and petcoke blend, to improve the gasifier operation and the consistency of the resultant waste. This information was not included in the Amended AFC (08-AFC-8A) documentation, and

apparently was only recently provided to the applicant by the supplier of the proposed gasification equipment, Mitsubishi Heavy Industries. Energy Commission staff has requested additional information from the applicant concerning this new project development including the quantity of material expected to be used, shipping volumes and frequency of deliveries, mode of delivery, storage and use. Depending on when it is received, a full analysis of the information will likely not occur until the FSA/FEIS.

As of today, sixteen PSA technical sections have been sent to DOE for concurrent review with the Energy Commission legal and project management staff, and several additional sections will be available to review by the end of the week.

PSA technical sections already reviewed by DOE:

1. Cultural Resources
2. Socioeconomics
3. Traffic and Transportation
4. Transmission System Engineering

Sections sent to DOE and still under review:

1. Carbon Sequestration and GHG Emissions
2. Power Plant Reliability
3. Hazardous Materials Management
4. Waste Management
5. Worker Safety and Fire Protection
6. Draft Air Quality
7. Facility Design
8. Geology and Paleontology
9. Draft Alternatives
10. Land Use
11. Transmission Line Safety and Nuisance
12. Water Resources

PSA technical sections that are still being finalized for DOE concurrent review:

1. Biological Resources
2. Noise and Vibration
3. Public Health
4. Soil and Surface Water Resources
5. Visual Resources
6. Water Supply
7. Power Plant Efficiency
8. Compliance

Status on PSA technical sections.

Water Supply: Energy Commission staff has received additional information from the Buena Vista Water Storage District (BVWSD) resulting from workshop discussions. This

information may have an impact on the water supply analysis and staff proposed mitigation for the PSA/DEIS. It is likely that additional information will be necessary to complete the FSA/FEIS.

Cultural Resources: Staff is reviewing a draft-plan for conducting a geoarchaeological investigation that will aid in crafting appropriate mitigation measures for cultural resources to be included in the FSA/FEIS. Staff expects to have sufficient information to complete an adequate PSA/DEIS, but will require additional information in order to finalize the FSA/FEIS. Staff continues coordination efforts with DOE and tribal participants and the State Historic Preservation Office relating to Section 106 tribal consultation requirements, needed for the FSA/FEIS.

Carbon Sequestration and Green House Gas Emissions: California Air Resources Board (ARB) currently has no methodology for crediting sequestration under the cap and trade program. Therefore, if no methodology is in place once the project is operational, it will have to purchase allowances or offsets for all CO₂ emitted, at a potential cost of up to 30-million dollars annually according to staff estimates, regardless of what is sequestered, until an appropriate methodology is adopted. ARB is in the beginning stages of developing the methodology and might have an approved approach in a minimum of two years.

Coordination with Federal, State, and Local Agencies:

Staff continues to conduct monthly multi-agency coordination calls regarding HECA, with the next call scheduled for April 24, 2013. These calls provide information regarding schedule and an opportunity to seek input from participating agencies regarding progress on key elements.

Environmental Protection Agency: The Prevention of Significant Deterioration (PSD) permitting authority is now fully transferred from EPA to the District and is part of the local District's permitting program. The final rule was effective on November 26, 2012. EPA staff continues to work with the SJVAPCD and Energy Commission staff regarding the greenhouse gas (GHG) analysis and issues surrounding CO₂ sequestration. San Joaquin Valley Air Pollution Control District has completed the Preliminary Determination of Compliance for HECA, and on April 2, 2013, held the first of two workshops on that document. The District has extended the comment period on the PDOC to May 6, 2013 and is planning a second Spanish language workshop, which has yet to be noticed.

State Department of Water Resources and Regional Water Districts:

Staff continues coordination efforts with the Department of Water Resources (DWR), Central Valley Regional Water Quality Control Board, Fresno Office (CVRWQCB), and the Buena Vista Water Storage District regarding water supply and water modeling efforts to date.

California Air Resources Board (ARB): Staff continues to work with the ARB on the carbon sequestration analysis and the possible conditions of certification.

Biological Resource Agencies: The U.S. Fish and Wildlife Service (USFWS) has provided the DOE and the applicant with comments on the Biological Assessment (BA). As noted previously, the USFWS has indicated that they would be issuing one BO for the entire HECA project including the power plant, linear facilities, and impacts associated with the proposed enhanced oil recovery project on the Occidental Elk Hills oil field.

Staff continues to work with the California Department of Fish and Wildlife (CDFW) to identify potential impacts to species of concern and protective measures for inclusion in the biological resources conditions of certification. The applicant has not yet filed all the information required in an Incidental Take Permit (ITP) application and a Lake and Streambed Alteration Agreement (LSAA) application for staff and CDFW review. Once filed, CDFW review could potentially take as long as 180 days and should be completed prior to issuance of the FSA/FEIS so it is imperative that the information be submitted as soon as possible.

California Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) Staff understands that an application for drilling permits associated with the proposed enhanced oil recovery program, utilizing the CO₂ that would be acquired from HECA, has been filed with DOGGR and is currently being reviewed for adequacy. Staff will continue close coordination with DOGGR to monitor progress on the permit application and will continue discussions with DOGGR and Occidental Petroleum Elk Hills to obtain any pertinent information needed for staff's analysis.

Kern County: The Kern County Planning and Community Development Department and County Roads Department have requested additional information from the applicant in regard to county roads. Additionally, Kern County has submitted formal comments on the proposed project, which staff is incorporating into the PSA/DEIS.

The San Joaquin Valley Air Pollution Control District: The Preliminary Determination of Compliance (PDOC) was issued on February 7, 2013, and docketed with the Energy Commission on February 11, 2013. The PDOC contains both a greenhouse gas analysis and the prevention of significant deterioration (PSD) analysis for HECA. SJVAPCD hosted a public hearing on the PDOC on April 2, 2013, and is in the process of scheduling a Spanish language workshop. The public comment closing period has been extended from March 25, 2013 to May 6, 2013, and will likely be extended again based upon the upcoming workshop.
Schedule:

Staff continues to work to meet the Revised HECA Committee schedule of April 30, 2013 for the PSA/DEIS joint document and has no additional proposed changes at this time.



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
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**AMENDED APPLICATION FOR CERTIFICATION
FOR THE HYDROGEN ENERGY
CALIFORNIA PROJECT**

**Docket No. 08-AFC-08A
PROOF OF SERVICE
(Revised 3/4/13)**

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***After docketing, the Docket Unit
will provide a copy to the persons
listed below. Do not send copies of
documents to these persons
unless specifically directed to do
so.***

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DECLARATION OF SERVICE

I, Diane L. Scott, declare that on April 9, 2013, I served and filed copies of the attached **HYDROGEN ENERGY CALIFORNIA, AMENDED (08-AFC-8A) STAFF STATUS REPORT NUMBER 6**, dated April 9, 2013. This document is accompanied by the most recent Proof of Service, which I copied from the web page for this project at:

http://www.energy.ca.gov/sitingcases/hydrogen_energy/.

The document has been sent to the other persons on the Service List above in the following manner:

(Check one)

For service to all other parties and filing with the Docket Unit at the Energy Commission:

 X I e-mailed the document to all e-mail addresses on the Service List above and personally delivered it or deposited it in the US mail with first class postage to those persons noted above as "hard copy required";
OR

 Instead of e-mailing the document, I personally delivered it or deposited it in the US mail with first class postage to all of the persons on the Service List for whom a mailing address is given.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am over the age of 18 years.

Dated: April 9, 2013



Diane L. Scott, *Project Assistant*
Siting, Transmission and Environmental Protection Division